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MANWAH

MAN WAH HOLDINGS LIMITED

敏華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2021
AND
CLOSURE OF REGISTER OF MEMBER**

The board (the “Board”) of directors (the “Directors”) of Man Wah Holdings Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “Group”) for the financial year ended 31 March 2021 (“FY2021”, the “Review Period” or the “Reporting Period”) together with the comparative figures for the previous financial year ended 31 March 2020 (“FY2020” and “Last Corresponding Period”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue	3	16,434,071	12,144,299
Cost of goods sold	5	(10,504,964)	(7,726,600)
Gross profit		5,929,107	4,417,699
Other income		511,894	413,794
Other (losses)/gains, net		(93,713)	56,724
Selling and distribution expenses	5	(3,118,564)	(2,001,747)
Administrative and other expenses	5	(778,071)	(622,084)
Operating profit		2,450,653	2,264,386
Finance costs		(96,046)	(155,947)
Share of results of joint ventures		5,707	805
Profit before income tax		2,360,314	2,109,244
Income tax expense	4	(336,908)	(417,247)
Profit for the year		2,023,406	1,691,997
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Currency translation differences		546,805	(559,868)
Other comprehensive income/(loss) for the year		546,805	(559,968)
Total comprehensive income for the year		2,570,211	1,132,129
Profit for the year attributable to:			
Owners of the Company		1,924,513	1,638,069
Non-controlling interests		98,893	53,928
		2,023,406	1,691,997

		2021	2020
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive income for the year attributable to:			
Owners of the Company		2,439,729	1,097,813
Non-controlling interests		130,482	34,316
		<u>2,570,211</u>	<u>1,132,129</u>
Earnings per share attributable to owners of the Company			
Basic (<i>HK cents per share</i>)	6	<u>50.26</u>	<u>42.89</u>
Diluted (<i>HK cents per share</i>)	6	<u>50.10</u>	<u>42.87</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	NOTE	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,774,294	3,949,987
Investment properties		482,067	455,215
Right-of-use assets		2,324,072	2,228,518
Goodwill		560,519	524,048
Other intangible assets		166,517	188,440
Interests in joint ventures		55,812	29,673
Deferred tax assets		42,678	12,031
Deposits paid for a land lease		167,311	3,692
Deposits paid for acquisition of subsidiaries		244,585	–
Financial assets at fair value through profit or loss		1,894	–
Prepayments and deposits paid for acquisition of property, plant and equipment		126,926	156,023
		8,946,675	7,547,627
Current assets			
Inventories		2,003,605	1,532,993
Properties held for sale		254,779	48,227
Properties under development		164,498	149,410
Trade and bills receivables	8	1,680,529	1,210,754
Other receivables and prepayments		700,841	470,341
Financial assets at fair value through profit or loss		372,750	204,682
Tax recoverable		6,854	1,941
Structured deposits		–	3,946
Short-term bank deposits		892,066	–
Restricted bank balances		12,237	23,636
Cash and cash equivalents		2,404,027	2,020,245
Total current assets		8,492,186	5,666,175
Total assets		17,438,861	13,213,802

	<i>NOTE</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital		1,583,518	1,518,376
Reserves		9,157,814	5,185,771
		10,741,332	6,704,147
Non-controlling interests		663,727	528,549
Total equity		11,405,059	7,232,696
LIABILITIES			
Non-current liabilities			
Lease liabilities		20,308	29,533
Bank borrowings – non-current portion		1,196	701,786
Deferred tax liabilities		128,854	128,896
Other non-current liabilities		1,278	1,333
		151,636	861,548
Current liabilities			
Trade and bills payables	9	971,142	967,090
Other payables and accruals		746,883	452,160
Lease liabilities		26,419	28,755
Contract liabilities		363,145	260,856
Bank borrowings – current portion		3,588,713	3,277,499
Tax payable		185,864	133,198
		5,882,166	5,119,558
Total liabilities		6,033,802	5,981,106
Total equity and liabilities		17,438,861	13,213,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) with effect from 9 April 2010. The Company’s immediate and ultimate holding company is Man Wah Investments Limited, which is owned by Mr. Wong Man Li and Ms. Hui Wai Hing, directors of the Company.

The Company acts as an investment holding company.

The consolidated financial statements of the Company are presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated, for the convenience of the shareholders as the Company is listed in Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basic of preparation

The consolidated financial statements of Man Wah Holdings Limited have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- financial assets at fair value through profit or loss (“FVPL”) – measured at fair value; and
- investment properties – measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements and the principal accounting policies applied in the preparation of these consolidated financial statements are included in the 2021 Annual Report.

(i) *New and amended standards adopted by the Group*

The Group has applied the following standards and amended standards for the first time for their annual reporting period commencing 1 April 2020:

Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting
IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform – amendments to IFRS 7, IFRS 9 and IAS 39

The adoption of the amendments to standards did not have any material impact on the consolidated financial statements for the current year or any prior years.

(ii) *New standards, amendments to standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Amendments to IFRS 16	COVID-19-related Rental Concession ¹
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform ²
Amendments to IFRS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRS 3	Reference to Conceptual Framework ³
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
IFRS 17	Insurance Contract ⁴
Amendments to IAS 1	Presentation of Financial Statements on Classification of Liabilities as Current or Non-current ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture ⁵

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective date to be determined

3. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the Group's performance regarding different products and different markets, are as follows:

Sofa and ancillary products	–	manufacture and distribution of sofas and ancillary products through wholesale and distributors other than those by Home Group Ltd and its subsidiaries ("Home Group")
Other products	–	manufacture and distribution of chairs and other products to commercial clients, mattresses, smart furniture spare parts and metal mechanism for recliners etc.
Other business	–	sales of residential properties, hotel operation and furniture mall business
Home Group business	–	manufacture and distribution of sofas and ancillary products by Home Group

The sofa and ancillary products segment includes a number of sales operation in various locations, each of which is considered as a separate operating segment by the executive directors. For segment reporting, these individual operating segments have been aggregated into a single reportable segment in order to present a more systematic and structured segment information on the performance of different type of products.

The Company's executive directors make decisions based on the operating results of each segment and review reports on the aging analysis of trade and bills receivables and expected usage of inventories of the Group as a whole. No information of segment assets and liabilities is reviewed by the Company's executive directors for the assessment of performance of operating segments. Therefore, only the segment revenue and segment results are presented.

The accounting policies of the operating segments are the same as the Group's accounting policies. There is a change in measurement method for segment results, which represent the profit before income tax earned by each segment without allocation of other income, net exchange gains or losses, fair value gains or losses on investment properties, gains or losses from changes in fair value of financial assets at FVPL, share of results of joint ventures, finance costs, and unallocated expenses (2020: profit before income tax earned by each segment without allocation of interest income, income on structured deposits, rental income, net exchange gains/(loss), fair value gain/(loss) on investment properties, loss from change in fair value of financial assets at FVPL, share of results of joint ventures, government subsidies, finance costs, central administrative costs and directors' emoluments). The comparative information has been represented accordingly.

Segment revenues and results

The information of segment revenue and segment results are as follows:

For the year ended 31 March 2021

	Sofa and ancillary products <i>HK\$'000</i>	Other products <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Home Group business <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External sales	<u>11,723,615</u>	<u>3,708,066</u>	<u>238,318</u>	<u>764,072</u>	<u>16,434,071</u>
RESULTS					
Segment results	<u>1,935,131</u>	<u>570,809</u>	<u>27,840</u>	<u>86,167</u>	2,619,947
Other income					511,894
Share of results of joint ventures					5,707
Exchange losses, net					(28,864)
Fair value gains on investment properties					238
Loss from change in fair value of financial assets at FVPL					(61,793)
Finance costs					(96,046)
Unallocated expenses					<u>(590,769)</u>
Profit before income tax					<u>2,360,314</u>

For the year ended 31 March 2020

	Sofa and ancillary products <i>HK\$'000</i>	Other products <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Home Group business <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE					
External sales	<u>8,155,269</u>	<u>2,453,102</u>	<u>791,812</u>	<u>744,116</u>	<u>12,144,299</u>
RESULTS					
Segment results	<u>1,611,962</u>	<u>464,558</u>	<u>289,845</u>	<u>41,286</u>	2,407,651
Other income					413,794
Share of results of joint ventures					805
Exchange gains, net					68,000
Fair value losses on investment properties					(4,569)
Loss from change in fair value of financial assets at FVPL					(1,746)
Finance costs					(155,947)
Unallocated expenses					<u>(618,744)</u>
Profit before income tax					<u>2,109,244</u>

Other information

	Sofa and ancillary products <i>HK\$'000</i>	Other products <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Home Group business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment result:					
For the year ended 31 March 2021					
Loss/(gain) on disposal of property, plant and equipment	383	508	–	(199)	692
Depreciation and amortisation	358,296	64,663	36,947	33,888	493,794
Provision for impairment of trade and bills receivables	–	1,698	–	344	2,042
Reversal of impairment of inventories	<u>(17,634)</u>	<u>–</u>	<u>–</u>	<u>(398)</u>	<u>(18,032)</u>
	Sofa and ancillary products <i>HK\$'000</i>	Other products <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Home Group business <i>HK\$'000</i>	Total <i>HK\$'000</i>

Amounts included in the measure of
segment result:

For the year ended 31 March 2020

Loss/(gain) on disposal of property, plant and equipment	3,336	(472)	–	(113)	2,751
Depreciation and amortisation	304,328	58,676	6,318	32,547	401,869
Provision for impairment of trade and bills receivables	–	1,775	–	1,752	3,527
Provision for/(reversal of) impairment of inventories	<u>24,867</u>	<u>–</u>	<u>–</u>	<u>(469)</u>	<u>24,398</u>

Geographical information

Revenue from external customers by geographical location of customers is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC (including Hong Kong and Macau)	10,213,896	6,954,742
North America	4,579,469	3,507,855
Europe	1,050,842	1,130,926
Others	589,864	550,776
	<u>16,434,071</u>	<u>12,144,299</u>

Note: Others mainly included Australia, United Arab Emirates, Israel and Indonesia. Home Group business is included in Europe. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the location of the assets:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC (including Hong Kong and Macau)	6,950,505	5,661,149
Europe	544,206	560,580
Vietnam	1,408,063	1,309,971
Others	1,223	3,896
	<u>8,903,997</u>	<u>7,535,596</u>

During the year, none of the Group's customers individually contributed more than 10% of the Group's revenue (2020: none).

4. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax:		
PRC Corporate Income Tax ("PRC CIT")	314,152	305,061
PRC Withholding Income Tax	27,900	15,997
PRC Land Appreciation Tax ("PRC LAT")	17,336	87,468
U.S. Federal and State Current Income Taxes ("U.S. CIT")	1,252	1,425
Others	6,397	14,292
Deferred tax credit	(33,057)	(7,442)
Under-provision in prior years	2,928	446
	<u>336,908</u>	<u>417,247</u>

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except for a PRC subsidiary of the Company, carrying out business in the western region of the PRC, which qualifies for the preferential tax rate of 15%.

The EIT Law imposes withholding tax upon the distribution of the profits earned by the Company's PRC subsidiaries on or after 1 January 2008 to their non-resident shareholders.

The U.S. CIT charge comprises federal income tax calculated at 21% (2020: 21%) and state income tax calculated from 0% to 9% (2020: 0% to 9%) on the estimated assessable profits of the subsidiary of the Company which was incorporated in the U.S..

As stated on Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, the Group's Macau subsidiary is exempted from Macao Complementary Tax until 31 December 2020. Since 1 January 2021, the Group's Macau subsidiary has been subject to Macau Complementary Tax at a rate of 12% on the assessable income.

5. EXPENSES BY NATURE

	2021 HK\$'000	2020 HK\$'000
Cost of inventories	8,600,806	7,702,202
Auditor's remuneration (including non-audit services)	3,890	3,918
Amortisation of intangible assets	33,438	32,224
Depreciation of property, plant and equipment	389,891	278,312
Depreciation of right-of-use assets	70,465	91,333
Employee benefit expenses (including directors' emoluments)	2,491,708	1,729,151
Short-term lease payment	40,990	19,318
(Reversal of)/provision for impairment of inventories	(18,032)	24,398
Legal and professional fee	49,430	31,241

6. EARNINGS PER SHARE

Earnings per share are computed as follows:

	2021	2020
Basic		
Profit attributable to owners of the Company for the year (HK\$'000)	1,924,513	1,638,069
Weighted average outstanding ordinary share, in thousands	3,829,383	3,819,581
Basic earnings per share for the year in HK cents	50.26	42.89
Diluted		
Profit attributable to owners of the Company for the year (HK\$'000)	1,924,513	1,638,069
Weighted average outstanding ordinary share, in thousands	3,829,383	3,819,581
Effect of dilutive potential ordinary shares on exercise of share options	12,014	1,106
Weighted average outstanding ordinary shares after assuming dilution, in thousands	3,841,397	3,820,687
Diluted earnings per share for the year in HK cents	50.10	42.87

7. DIVIDENDS

During the year, the Company recognised the following dividends as distribution:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend for 2020 of HK\$0.12 (2020: HK\$0.06 for 2019) per share	455,936	229,399
Interim dividend for 2021 of HK\$0.1 (2020: HK\$0.07 for 2020) per share	<u>380,360</u>	<u>267,095</u>
	<u>836,296</u>	<u>496,494</u>

A final dividend of HK\$0.16 per share in respect of the year ended 31 March 2021, amounting to approximately HK\$633,519,000, to be paid to the shareholders of the Company whose names appear on the Company's register of members on 12 July 2021, has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills receivables	1,687,226	1,215,294
Less: provision for impairment of trade and bills receivables	<u>(6,697)</u>	<u>(4,540)</u>
Trade and bills receivables, net	<u>1,680,529</u>	<u>1,210,754</u>

The Group generally allows a credit period of 30 to 90 days for customers. The aging analysis of the Group's trade and bills receivables (net of provision for impairment of trade and bills receivables) presented based on the invoice date at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	1,607,354	1,054,410
91–180 days	58,723	123,737
Over 180 days	<u>14,452</u>	<u>32,607</u>
	<u>1,680,529</u>	<u>1,210,754</u>

9. TRADE AND BILLS PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills payables	971,142	967,090

The credit period on purchases of goods generally ranges from 30 to 60 days.

The aging analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	969,227	966,854
91–180 days	1,856	175
Over 180 days	59	61
	971,142	967,090

10. CAPITAL COMMITMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of		
– acquisition and construction of property, plant and equipment	227,197	77,862
– construction of production plant	509,871	178,797
Subtotal	737,068	256,659
Other commitments of		
– construction of properties under development	10,587	24,534
– investment in joint ventures	11,841	10,917
– acquisition of subsidiaries	197,807	–
Subtotal	220,235	35,451
Total	957,303	292,110

MARKET REVIEW

In 2020, the spread of COVID-19 around the world, the significant appreciation of RMB, the weakened consumer demand in the early part of the fiscal year, and the rapid increase of the price of raw materials in the late part of the fiscal year posed a challenging environment to us. Having faced with the complex and changing trade environment and the impact of the pandemic, the Group, while making vigorous effort in the prevention and control of the pandemic, has promoted the resumption of work and production in an orderly way, continuously improved product research and development capabilities, provided a comprehensive price band of high, medium and cost-effective, as well as a complete product matrix of sofas, mattresses and accessories, and actively promoted domestic business development, thus effectively overcoming the adverse external impact. In the first half of the fiscal year, when orders in the export market were greatly damaged, our domestic sales bucked the trend and achieved an annual revenue growth of 35%. According to the latest market research report published by Euromonitor in April 2021, the Group has been the world's top seller of recliner sofas for three consecutive years.

China Market

During the Review Period, China's overall economy was challenged by the pandemic, and there were also opportunities for consumption recovery and growth of demand for household products. According to the data released by National Bureau of Statistics, a GDP growth of China was approximately 2.3% in 2020. The per capita consumption expenditure of urban residents in China increased by 14.50% to approximately RMB32,189 in 2020 as compared with 2019. With the increase of per capita disposable income, consumers are shifting from basic needs to higher quality of life and consumption. Meanwhile, the pandemic has led to changes in the daily lifestyle of Chinese families, and higher demands have been put forward for the comfort and humanization of household products. In view of the growing demand of consumers, the Group, while focusing on stationary sofas, has added more experience functions and improved the comfort of its recliner sofa products, which is an enhanced experience for consumers. Thanks to self-supply of core components, we are able to offer recliner sofa with more cost-effective price chain to a wider range of families, while meeting the rigid market demand. By offering appealing products with high quality at attractive price, we are dedicated to helping more Chinese consumers enjoy first-class service at the price of economy class.

With the rising trend of consumption upgrading, the Company breaks through the restrictions of core components to provide products that are good value for money. The penetration of its recliner sofas in Chinese market has been accelerated. In addition, our brand effect as a leading enterprise becomes more prominent, the scale advantage is gradually reflected, and the concentration continues to improve. During the Review Period, through effective store expansion, marketing and store operation, vigorous development of e-commerce sales, and active promotion of business model innovation, the Group gained more market share in the Chinese furniture market and achieved strong revenue growth.

US Market

During the Review Period, the US economy was subject to severe impact of the COVID-19 pandemic, the Sino-US economic and trade relations suffered repeated setbacks, and the monetary policy of Federal Reserve was also changed. In 2020, the nominal GDP of the United States was approximately USD20.93 trillion and the annual GDP shrank by 3.5%. According to the 2020 U.S. retail sales data released by the U.S. Department of Commerce, the U.S. retail sales of furniture and home furnishings in 2020 were USD111.4 billion, down by 5.4% year on year. According to the recliner sofa market research report published by Euromonitor in April 2021, from 2016 to 2020, the sales volume of recliner sofa products in the U.S. market increased from 9,302,000 pieces to nearly 10,362,000 pieces, achieving a compound annual growth rate of approximately 2.7%. In the same period, sales grew from USD10.48 billion to nearly USD12.05 billion, representing a CAGR of 3.6%. The recliner sofa category has been growing faster than the traditional stationary sofa, and this trend is expected to continue in the future. In 2020, the Group ranked the top three in the US recliner sofa market. The U.S. market is growing slower than the Chinese market. The Group will try its best to gain more shares and revenue growth in the future competition by taking advantage of its large-scale and efficient capacity, quality and cost control.

Europe and other Overseas Markets

The European market continued to face the growth dilemma. Brexit and impact from COVID-19 posed huge challenges to European economic growth. According to the Eurostat, the GDP of 19 countries in the Eurozone dropped by 6.8% in 2020 from that in 2019. The economic recovery in the Eurozone has been delayed, and competition in the European sofa market is fierce. Due to repeated outbreaks of COVID-19, orders in the European market fell considerably last fiscal year and it failed to achieve positive growth in the whole year. The Group will provide more diversified and competitive products to increase our shares stably in the European market as well as other overseas markets.

Research and Development of Smart Furniture Products

During the Review Period, the Group strengthened product innovation and R&D based on the changes in the market, focusing on the continuous improvement of product quality. After making breakthrough in the production of European-style sofa with small iron frame, we kept penetrating hard targets. In 2020, we developed and launched a series of new smart furniture products with innovative functions, such as “lying flat with zero gravity”, “zero clearance against the wall”, “beautiful sofa legs” and so on. By offering more upgraded recliner sofas featuring small size, beautiful appearance, lightness, and lying flat function, we have constantly improved our competitiveness and provided consumers with nicer and more comfortable experience. We had acquired companies with the smart home production line to achieve a full spectrum of smart iron frames (including American, Italian and German styles), with an aim to increase the market share of the Group’s smart furniture and enriched our product line.

BUSINESS REVIEW

During the Review Period, benefiting from the diversified market distribution and years of preparation and development, the Group’s business has gradually changed from OEM business to brand sales business. At present, the brand sales business in China has accounted for more than 60%. Under the global COVID-19 challenge, in view of the fact that the European and American markets were greatly impacted by COVID-19, the Group seized the opportunity to vigorously develop the business in the Chinese market, expanding stores to occupy the sites with favorable consumption flow, and improving the store management level, quality and product innovation and research and development capabilities. The Group achieved a revenue growth of 61.9% in the Chinese market and 35.3% in its main business, maintaining its No.1 position in the global sales of recliner sofa. The revenue of the Group reached a new high in the Review Period. The revenue analysis by different regions is as follows:

1 China Market

During the Review Period, the Group’s sales revenue from the Chinese market was HK\$10,714,827,000 and the revenue from its main business in the Chinese market was HK\$9,975,577,000 (excluding real estate, mall property and other business revenue), representing an increase of 61.9% over the same period last year, which was HK\$6,162,931,000. The revenue from the Chinese market for FY2021 accounts for more than 60% of total revenue of the Group of the same period, which has become the main growth driver of the Group.

In terms of the offline sales channels in Chinese market, the Group will continue to carry out the strategy of dominating Chinese market, seize the opportunity of industry optimization driven by the pandemic, accelerate the opening of stores, and further increase the overall number and area of stores in China. As at 31 March 2021, the Group had a total of 4,122 brand stores in China. During the Review Period, we achieved a net increase of 1,125 in the number of our brand stores, and 123 in the number of original stores of Lattoflex smart beds and ESTELLER.

In terms of the online sales channels in Chinese market, the Group continued to enhance its sales on Tmall, JD.com and other e-commerce sales platforms, and actively promoted the live broadcast sales model. Through short video promotion, live broadcast of our own stores, and in-depth collaboration with leading online streamers, we have achieved a substantial increase in business results, fans and brand influence. In addition, the Group also made active deployment in new retail business, in order to achieve the integration of online and offline business and explore new growth.

While focusing on the production and sale of sofa and bed products, the Group also produces and sells chair and other products to high-speed railway, cinema chains and other commercial customers. In addition, the Group also produces and sells some intelligent furniture components and other products.

In addition, the Group acquired a manufacturer of sofa products located in Jiangsu Province during the Review Period. The sofa manufacturer in Jiangsu has been consolidated into the accounts of the Group as a subsidiary since from 1 March 2021. The Group has also subsequently completed the acquisition of a sofa manufacturer and an iron frame manufacturer in Guangdong Province, which had been consolidated into the account of the Group in April 2021.

2 North America market

With the Group's business strategy gradually shifting from export to domestic sales, and due to the impact of overseas pandemics, the overall contribution of the North America market has declined. Revenue from the North America market decreased from 27.9% in FY2020 to 27.0% in FY2021. During the Review Period, the sales revenue of main business from the North America market was HK\$4,579,469,000, up approximately 30.5% from HK\$3,507,855,000 in the same period last year.

In the North America market, due to the impact of the pandemic, furniture industry consumption suffered setback. After the recovery from the pandemic in the second quarter of 2020, the Group's export orders to North America resumed rapid growth. In order to mitigate the adverse impact on revenue and gross margin due to tariffs imposed by the US government, the Group acquired a plant in Vietnam in June 2018, which has been put into operation the new plant in 2020. During the Review Period, the capacity of the Vietnam plant increased rapidly, and most of the productions carried out for the U.S. customers have been basically transferred to the Vietnam plant.

The Group also had some high-end sofas produced in China and exported to the United States. The high gross margin of the high-end sofas helped offsetting part of the higher cost of the products produced by Chinese factories due to U.S. tariffs.

3 Europe and other Overseas Markets

During the Review Period, the Group's revenue in Europe declined due to the impact of Brexit and COVID-19. During the Review Period, excluding Home Group, the revenue of our main business from Europe and other overseas markets decreased by 6.5% to HK\$876,635,000 compared to HK\$937,587,000 in the same period last year.

During the Review Period, Home Group had five sofa manufacturing plants in Poland, the Baltic States and Ukraine, which are mainly engaged in the design and production of stationary sofas and sofa beds. The products of Home Group are sold to many European furniture retailers. Its revenue from main business increased by 2.7% compared with the same period last year.

FINANCIAL REVIEW

Revenue and Gross Profit Margin

	Revenue (HK\$'000)			As a percentage of revenue (%)		Gross profit margin (%)	
	FY2021	FY2020	Change (%)	FY2021	FY2020	FY2021	FY2020
Business of sofas and ancillary products	11,723,615	8,155,269	43.8%	69.2%	65.0%	37.4%	38.7%
Other products	3,708,066	2,453,102	51.2%	21.9%	19.5%	31.5%	29.8%
Home Group business	764,072	744,116	2.7%	4.5%	5.9%	34.7%	28.2%
Other business	238,318	791,812	-69.9%	1.4%	6.3%	49.4%	40.1%
Other income	511,894	413,794	23.7%	3.0%	3.3%	—	—
Total	<u>16,945,965</u>	<u>12,558,093</u>	<u>34.9%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>36.1%</u>	<u>36.4%</u>

During FY2021, total revenue (including the income from main businesses and other income) rose by approximately 34.9% to approximately HK\$16,945,965,000 (Last Corresponding Period: approximately HK\$12,558,093,000). The overall gross profit margin for the current financial year was approximately 36.1% (Last Corresponding Period: approximately 36.4%), which was basically the same compared to last year.

During the Review Period, excluding Home Group business, the Group sold approximately 1,648,000 sets of sofa products (FY2020: approximately 1,267,000 sets), representing an increase of approximately 30.1% (one set of sofa products equals to six seats, excluding chairs and other products which were sold to commercial clients).

1 Sofas and Ancillary Products Business

During the Review Period, revenue from business of sofas and ancillary products was approximately HK\$11,723,615,000, representing an increase of approximately 43.8% as compared to approximately HK\$8,155,269,000 in the Last Corresponding Period.

1.1 China market

During the Review Period, revenue from the China market reached approximately HK\$6,851,747,000, up by approximately 66.5% from approximately HK\$4,114,012,000 in the Last Corresponding Period.

During the Review Period, the Group's sales of sofas and ancillary products in the Chinese market enjoyed rapid growth. While vigorously expanding to achieve rapid store opening, we continued to improve the competitiveness of products, and enabled dealers to improve the operation and management level, in order to ensure good store performance in spite of the increase of number of stores. In addition, we have achieved coordinated development online and offline, by constantly embracing changes and making good use of new media such as TikTok and new channels such as live streaming. We have realized the continuous improvement of the brand influence of "CHEERS", and gradually strengthened the awareness of consumers on recliner sofa, thus pushing the domestic recliner sofa into the fast track of development.

1.2 North America market

During the Review Period, the revenue from the North America market was approximately HK\$4,374,287,000, up approximately 31.5% from HK\$3,326,760,000 in the same period last year. Among the revenue from North America during the Review Period, the revenue from the United States and Canada was approximately HK\$4,077,061,000 and HK\$282,603,000 respectively.

1.3 Europe and Other Overseas Markets

During the Review Period, the sales revenue of sofa and supporting products from the Europe and other overseas markets was approximately HK\$497,581,000, down approximately 30.4% from HK\$714,497,000 in the same period last year.

2 Sales of other products

During the Review Period, the Group's revenue from sales of other products was approximately HK\$3,708,066,000, up approximately 51.2% from HK\$2,453,102,000 in the same period last year.

- 2.1 The sales revenue of beds from the Chinese market was approximately HK\$2,247,911,000, up approximately 72.6% from HK\$1,302,384,000 in the same period last year. No beds were sold to overseas markets.
- 2.2 The sales revenue of smart furniture components and products amounted to approximately HK\$1,460,155,000 (including approximately HK\$875,919,000 from the Chinese market, approximately HK\$205,182,000 from the North America market, and approximately HK\$379,054,000 from the Europe and other overseas markets), up approximately 26.9% from HK\$1,150,718,000 in the same period last year.

3 Business of Home Group

During the Review Period, revenue from Home Group reached approximately HK\$764,072,000, up approximately 2.7% compared with approximately HK\$744,116,000 in the Last Corresponding Period.

4 Other Business

During the Review Period, revenue from the real estate, hotel, and furniture mall business of the Group reached approximately HK\$238,318,000, down approximately 69.9% compared with approximately HK\$791,812,000 in the Last Corresponding Period.

5 Other Income

During the Review Period, other income of the Group reached to approximately HK\$511,894,000, representing an increase of approximately 23.7% as compared with approximately HK\$413,794,000 in the Last Corresponding Period.

Cost of goods sold

Breakdown of cost of goods sold

	FY2021 HK\$'000	FY2020 HK\$'000	Change (%)
Cost of raw materials	8,388,341	6,244,588	34.3%
Labour costs	1,659,858	1,133,692	46.4%
Manufacturing overhead	456,765	348,320	31.1%
Total	<u>10,504,964</u>	<u>7,726,600</u>	<u>36.0%</u>

Major raw materials	Average unit cost year-on- year change (%)
Leather	-5.8%
Steel products	3.6%
Wood	-9.0%
Fabric	-1.2%
Chemicals	24.3%
Packaging paper	5.9%

Other Gains and Losses

During FY2021, other gains and losses of the Group amounted to losses of approximately HK\$93,713,000 (the Last Corresponding Period: gains of approximately HK\$56,724,000). The aforesaid losses in the Review Period mainly come from the exchange losses and losses from fair value changes of financial assets.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 55.8% from approximately HK\$2,001,747,000 in FY2020 to approximately HK\$3,118,564,000 in FY2021. Selling and distribution expenses as a percentage of revenue increased from approximately 16.5% in FY2020 to approximately 19.0% in FY2021. The increase was mainly attributable to the following:

- (a) Advertising, promotion, and brand building expenses increased by approximately 65.9% from approximately HK\$283,643,000 to approximately HK\$470,676,000, and their percentage in revenue increased from approximately 2.3% to approximately 2.9%. Among the expenses, promotion expenses increased by approximately 48.9% from approximately HK\$199,449,000 to approximately HK\$297,050,000, and their percentage in revenue increased from approximately 1.6% in FY2020 to approximately 1.8% to FY2021;
- (b) Salaries, welfare, and commissions of sales staff increased by approximately 48.7% from approximately HK\$334,187,000 to approximately HK\$497,044,000, and their percentage in revenue increased from approximately 2.8% in FY2020 to approximately 3.0% to FY2021;
- (c) Overseas transportation and port expenses increased by approximately 67.6% from approximately HK\$595,094,000 to approximately HK\$997,601,000. As a percentage of revenue increased from approximately 4.9% last year to approximately 6.1%. Domestic transportation expenses increased by approximately 75.7% from approximately HK\$253,321,000 to approximately HK\$445,004,000. Domestic transportation expenses as a percentage of revenue increased from approximately 2.1% in last year to approximately 2.7% in FY2021;
- (d) Customs duties imposed on goods exported to the United States rose by approximately 11.2% from approximately HK\$108,613,000 to approximately HK\$120,790,000. The duties accounted for as a percentage of revenue decreased from approximately 0.9% in last year to approximately 0.7% in FY2021;
- (e) Network service expenses increased by approximately 38.1% from approximately HK\$63,093,000 to approximately HK\$87,118,000, and accounted for approximately 0.5% of revenue, being the same as FY2020;

Administrative and other Expenses

Administrative and other expenses increased by approximately 25.1 % from approximately HK\$622,084,000 in FY2020 to approximately HK\$778,071,000 in FY2021. As a percentage of revenue, administrative and other expenses were approximately 4.7% (FY2020: approximately 5.1%).

Income Tax Expense

Income tax expense decreased by approximately 19.3% from approximately HK\$417,247,000 in FY2020 to approximately HK\$336,908,000 in FY2021. The proportion of income tax expense to profit before tax decreased from approximately 19.8% in FY2020 to approximately 14.3% in FY2021.

Profit attributable to Owners of the Company and Net Profit Margin

The profit attributable to owners of the Company increased by approximately 17.5% from approximately HK\$1,638,069,000 in FY2020 to approximately HK\$1,924,513,000 in FY2021. The net profit margin of owners of the Group decreased from approximately 13.5% in FY2020 to approximately 11.7% in FY2021, which was mainly because the selling and distribution expenses increased by approximately 55.8% from approximately HK\$2,001,747,000 in FY2020 to approximately HK\$3,118,564,000 in FY2021.

Dividends

The Board has proposed a final dividend of HK\$16 cents per share for FY2021. During the FY2021, the Board has already declared and paid an interim dividend of HK\$10 cents per share. Total dividends declared for FY2021 accounted for approximately 52.7% of the profit attributable to owners of the Company.

Working Capital

As at 31 March 2021, the Group's bank balances and cash and short-term bank deposits were approximately HK\$2,404,027,000 and HK\$892,066,000, respectively.

The Group has been committed to maintaining a sound financial policy. Benefiting from the steady and sound development of the Company's business, it can effectively manage its cash flow and capital commitments. The Group also ensures that it has sufficient funds to meet its existing and future cash requirements while providing sustainable and stable dividend returns to shareholders.

The Group has not experienced and does not expect to experience any difficulties in meeting its repayment obligations when the loan or financing is due.

Liquidity and Capital Resources

As at 31 March 2021, the Group's short-term borrowings amounted to approximately HK\$3,588,713,000 and long-term borrowings amounted to approximately HK\$1,196,000. The Group's major bank borrowings denominated in HKD and RMB carry interest at fixed and variable rates. The fixed rates are ranging from 0.71% to 3.92% (FY2020: 3.60% to 4.35%). The variable rates are subject to either i) the higher of Hong Kong Interbank Offered Rate plus a spread, ranging from 1.01% to 1.99% (FY2020: 2.58% to 3.56%), or the best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited plus 1% or ii) Euro Interbank Offered Rate plus a spread, ranging from 1.59% to 2.80% (FY2020: 2.10% to 3.15%). The weighted average effective interest rates of the above variable-rate and fixed-rate bank borrowings were 1.20% and 2.86%, respectively (FY2020: 3.01% and 4.09%, respectively), per annum.

The Group's primary source of working capital is cash flow from operating activities and bank deposits. As at 31 March 2021, the Group's current ratio was approximately 1.4 (31 March 2020: approximately 1.1). As at 31 March 2021, the Group's gearing ratio was approximately 33.4% (31 March 2020: approximately 59.4%), which is defined as total borrowings divided by total equity attributable to owners of the Group.

Allowance for Inventories

For FY2021, the Group reversed an impairment allowance for inventories of approximately HK\$18,032,000 (FY2020: provided impairment allowance of approximately HK\$24,398,000).

Impairment Loss on Trade and other Receivables

For FY2021, the Group provided impairment loss on trade and other receivables of approximately HK\$2,042,000 (FY2020: approximately HK\$3,527,000).

Pledge of Assets

As at 31 March 2021, there was approximately HK\$12,237,000 restricted bank balances (FY2020: HK\$23,636,000 restricted bank balances). As at 31 March 2021, some subsidiaries of Home Group under the Group pledged certain assets for financing, including property, plant, and equipment with a book value of approximately HK\$3,755,000 (FY2020: property, plant and equipment with a book value of approximately HK\$25,880,000 and inventories with a book value of approximately HK\$13,041,000).

Capital Commitments and Contingent Liabilities

Save as disclosed in Note 10, the Group did not have any material capital commitments as at 31 March 2021.

As at 31 March 2021, the Group did not have any material contingent liabilities.

Foreign Currency Risks

The Group's exposure to currency risks is mainly attributable to the trade and other receivables, bank balances, trade, and other payables and bank borrowings, which are denominated in currencies other than the functional currency of respective Group entities. Except for the business of Home Group, most of the Group's sales in overseas markets are settled in USD. In addition, the Group's sales in Mainland and Hong Kong markets are settled in RMB and HKD respectively. Except for the business of Home Group, the Group's costs are mainly settled in USD, RMB, and HKD. The revenue of Home Group's current business in Europe was settled mainly in Euro, while the cost was settled mainly in Euro, UAH (Ukrainian hryvnia) and PLN (Polish zloty). As at the date of this announcement, the Group has no hedging policy (such as using any financial instrument) with respect to foreign exchange exposure.

Significant Investments and Acquisitions

Save as disclosed in this announcement, the Group did not have any significant investments or material acquisitions or disposals of subsidiaries, associates or joint ventures during the FY2021. The Group continues to seek suitable opportunities to acquire furniture companies to accelerate the development of the Group.

Human Resources

As at 31 March 2021, the Group had 30,621 employees (31 March 2020: 22,041 employees). The increase in the number of employees mainly results from the expansion of the Vietnam factory during the Review Period.

The Group always regards its employees as its most important resource, and provides its staff with sound working and living conditions at the main manufacturing bases, and has developed a comprehensive staff training and development, performance evaluation, and incentive system. Meanwhile, the Group is also devoted to enhancing production and operating efficiency. By improving the standardization and automation level of the production process as well as the operation management process, the Group also increased the number of employees while its revenue steadily increased during the Review Period.

During FY2021, the total staff costs for the Group amounted to approximately HK\$2,491,708,000 (FY2020: approximately HK\$1,729,151,000), of which approximately HK\$23,385,000 (FY2020: approximately HK\$15,905,000) was Directors' emoluments. The Group endeavours to keep the remuneration packages of its employees competitive and reward employees based on their performance. As part of the Group remuneration system and policy, we have adopted a share option scheme and a share award scheme, both of which enable the Group to reward employees and incentivise them to perform better.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

Future Plans and Outlook

With the increase in market share and turnover of the Group's products in the Chinese market, the Group will actively increase its production lines and expand plants to increase its capacity; and further reduce costs by increasing self-developed processes and strengthening cost control to enhance the competitiveness of its products in the market.

In terms of products, the Group will further consolidate the leading position of its recliner sofas and leather sofas in the industry through product upgrades and technological breakthroughs. The Group will also enter customized and fabric sofas segments with strong power by ways of mergers and acquisitions, which will enrich the Group's product portfolio, in order to provide consumers with more choices, and continue to meet the people's desire for a better life.

In terms of talent training, the Group invests over RMB10 million each year to empower talent development. Through the comprehensive integration of high-level educational environment and educational resources, the Group provides a strong driving force for the career development of its employees. By implementing a wide range of professional education based on general education and training employees in accordance with their aptitude, the Group has formed an ecological chain of talent cultivation with distinctive characteristics of the Group, which leads the talent cultivation in smart home industry.

Use of Proceeds from Placing

Reference is made to the Company's announcements dated 15 January 2021 and 22 January 2021 (the "Announcements") in respect of the placing of 150,000,000 new shares of the Company (the "Placing"). The Company successfully raised a total net proceeds of (after deducting related costs and expenses) from the Placing amounted to approximately HK\$2,362.7 million. As disclosed in the Announcement, the Company intended to use the net proceeds for expansion of China factory manufacturing facilities, digitizing new retail business, increasing number of stores, and general corporate purpose.

As at 31 March 2021, the net proceeds from the Placing has been utilised as intended with details as follows:

1. a total of HK\$274.47 million for capacity and factory expansion in China;
2. a total of HK\$86.79 million for investment on production equipment in order to increase the production capacity in the China factory;
3. a total of HK\$130.25 million for settling part of the consideration for the acquisition of 51% interest in Shenzhen Style Home Furnishing Co., Ltd.* (深圳市格調家居有限公司), which owns manufacturing facilities in China; and
4. a total of HK\$43.78 million for the expenses of increasing the number of stores.

As at 31 March 2021, the remaining net proceeds of HK\$1,827.41 million from the Placing was not yet utilised. It is expected to be utilised as intended for general corporate purpose by 31 March 2022.

Major Events Subsequent to the Review Period

On 18 December 2020, the Group entered into an acquisition agreement with two independent third parties (the “Vendors”), pursuant to which the Group agreed to acquire and the Vendors agreed to sell a total of 51% equity interest in Shenzhen Style Home Furnishing Co., Ltd. (“Shenzhen Style”), at a consideration based the performance of Shenzhen Style for the years ending 31 December 2021, 2022 and 2023. According to the said acquisition agreements, the minimum and maximum considerations will be RMB183,600,000 (equivalent to approximately HK\$217,407,000) and RMB367,200,000 (equivalent to approximately HK\$434,813,000) respectively, which will be paid in cash. In April 2021, the acquisition of 51% equity interest in Shenzhen Style has been completed.

On 3 February 2021, the Group entered into two acquisition agreements with an independent third party (the “Vendor”), pursuant to which the Group agreed to acquire and the Vendor agreed to sell 60% equity interest in each of Lion Rock Group Holdings Limited, Pacific Shiner Investment Limited and Gold Sands Investment Company Limited (collectively, the “Target Companies”), respectively. According to the said acquisition agreements, the considerations will be determined based on 9 times the net profit generated by the Target Companies for the year ending 31 December 2021, which will be paid in cash. In April 2021, the acquisition of the 60% equity interest in the Target Companies has been completed.

CORPORATE GOVERNANCE CODE

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholders' value and safeguarding the interest of shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize effective internal control and accountability to all shareholders.

The Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Review Period, save for the deviation from Code Provision A.2.1 which is explained below. The Company periodically reviews its corporate governance practices to ensure that they continue to meet the requirements of the CG Code.

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer" before 3 November 2020. Mr. Wong Man Li, who acts as the Chairman and Managing Director of the Company, has been also responsible for overseeing the general operations of the Group. The Board meets regularly to consider major matters concerning the operations of the Group. The Board considers that this structure had not impaired the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure had allowed the Group to operate efficiently.

On 3 November 2020, Mr. Feng Guohua was appointed as an Executive Director and Chief Executive Officer of the Company and since then the roles and functions of the chairman and chief executive officer have been separated and performed by different individual which is in compliance with Code Provision A.2.1.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry of all Directors and the relevant employees regarding any non-compliance with the Model Code during the Review Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions. Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are prohibited from dealing in shares of the Company during the black-out period.

AUDIT COMMITTEE

The Company's audit committee (the "Audit Committee") currently consists of four independent non-executive Directors, namely Mr. Chau Shing Yim, David, Mr. Ong Chor Wei, Mr. Ding Yuan and Mr. Kan Chung Nin, Tony. None of them is, or has previously been, a member of the Company's current or previous external auditors within the past financial year. The chairman of the Audit Committee, Mr. Chau, possesses the professional qualifications and financial management expertise required under the Listing Rules.

Working closely with the external auditors, the Audit Committee has reviewed the Group's audited consolidated results for the financial year ended 31 March 2021.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Friday, 2 July 2021, will be eligible to attend and vote at the annual general meeting of the Company to be held on Friday, 2 July 2021 (the "AGM"). The transfer books and register of members will be closed from Monday, 28 June 2021 to Friday, 2 July 2021 (both days inclusive), during which period no transfer of Shares will be effected. In order to determine the identity of shareholders who are entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 25 June 2021. Notice of the AGM will be despatched to the shareholders of the Company in due course.

Shareholders whose names appear on the Company's register of members on Monday, 12 July 2021, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Thursday, 8 July 2021 to Monday, 12 July 2021 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Computershare Hong Kong Investor Services Limited located at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 7 July 2021. The proposed final dividend (the payment of which is subject to the Shareholders' approval at the AGM) will be payable on Thursday, 22 July 2021 to Shareholders whose name appear on the register of members of the Company on Monday, 12 July 2021.

SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the FY2021. The work performed by Messrs. PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. PricewaterhouseCoopers on this announcement.

By Order of the Board
Man Wah Holdings Limited
Wong Man Li
Chairman

Hong Kong, 14 May 2021

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Feng Guohua, Mr. Alan Marnie, Mr. Dai Quanfa, and Ms. Wong Ying Ying; and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Ong Chor Wei, Mr. Kan Chung Nin, Tony and Mr. Ding Yuan.